

Remarks on Small Business and Health Care Reform

October 29, 2009

Good afternoon, everybody. Please, have a seat. Before I begin, I want to just acknowledge two people who are working extraordinarily hard on behalf of small businesses. First of all, the Administrator of our Small Business Administration, Karen Mills, is here. The other individual who is on his way and will be here in a hot second, but we didn't want to keep everybody waiting, is a dear friend of mine, a great former Governor of Virginia, is now the Senator from the great State of Virginia and a huge supporter of small business and trying to figure out how to help all of you control your costs, and that's Senator Mark Warner. So when he comes in, please give him a smile.

I asked you here today to talk about health insurance reform and why it's so critical to the success of small businesses across our country. But before I do, let me talk a minute just briefly about the new economic numbers that were released this morning.

I am gratified that our economy grew in the third quarter of this year. We've come a long way since the first 3 months of 2009, when our economy shrunk by an alarming 6.4 percent. In fact, the 3.5 percent growth in the third quarter is the largest 3-month gain we have seen in 2 years. This is obviously welcome news and an affirmation that this recession is abating and the steps we've taken have made a difference.

But I also know that we've got a long way to go to fully restore our economy and recover from what's been the longest and deepest downturn since the Great Depression. And while this report today represents real progress, the benchmark I use to measure the strength of our economy is not just whether our GDP is growing, but whether we're creating jobs, whether families are having an easier time paying their bills, whether our businesses are hiring and doing well. And that's what I'm here to talk with you about today.

I know many of you have come from different corners of our country to be here, and looking out at all of you, I'm reminded of the extraordinary diversity of America's small businesses. You're owners of coffee shops and diners and hotels; you're florists, exterminators, builders. Each of your shops and firms reflects different passions and different ideas and different skills.

But what you share is a willingness to pursue those passions, take a chance on those ideas, and make the most of those skills. What you share is an entrepreneurial spirit, a tireless work ethic, and a simple hope for something better that lies at the heart of the American ideal. Businesses like yours are the engines of job growth in America. Over the past decade and a half, America's small businesses have created 65 percent of all new jobs in this country. And more than half of all Americans working in the private sector are either employed by a small business or own one.

Now, even in good times, starting a business, as all of you know, is not easy. It takes moxie, it takes gumption, it takes ingenuity, and failure is often more likely than success. But I don't have to tell you that it's been particularly difficult over the past few years. From the middle of 2007 through the end of 2008, small businesses lost 2.4 million jobs. Thousands have shut their doors altogether. And because of the credit crunch, banks have shrunk back from lending, making it harder to get loans to branch out or finance your inventories or maybe even to make

payroll. Maybe you've had to forgo raises. Maybe you've had to do the unthinkable and lay off friends or family.

So we know how tough times have been for small businesses. That's why I made sure the Recovery Act included a number of measures to help small businesses weather this economic storm. We've put a tax cut—a tax cut, not a tax hike—a tax cut into the pockets of the vast majority of small-business owners and employees. We've supported nearly 65,000 [35,000]* loans to small businesses, more than \$13 billion in new lending. More than 1,200 banks and credit unions that had stopped issuing SBA loans when the financial crisis hit are lending again today, and just last week, we proposed increasing the cap on what are called 7(a) and 504 loans, some of the loans most frequently handed out by the SBA.

But given the enormous problems small businesses and all Americans are facing today, we're aware that these steps are by no means enough. If we're serious about strengthening small businesses, if we're serious about creating a climate where our entrepreneurs can succeed, if we're serious about giving you the chance to prosper and grow, I believe, this administration firmly believes, that we need to pass health insurance reform in the United States of America.

Now, few have a bigger stake in what happens than all of you. Few have a bigger stake than the men and women who own a small business, work at a small business, or rely on someone who does. Few have a bigger stake in what happens because few are struggling more under the status quo. You all know the story.

We all know that family premiums have skyrocketed more than 130 percent over the past decade. They have more than doubled. But small businesses have been hit harder than most. A story in the paper just the other day said that many small businesses may see their premiums rise about 15 percent over the coming year, twice the rate they rose last year. And in part because small businesses pay higher administrative costs than larger ones, your employees pay up to 18 percent more in premiums for the very same health insurance. In one national survey, nearly three-quarters of small businesses that don't offer benefits cited high premiums as the reason, and that's not surprising.

The bottom line is that too many Americans like you can't afford to build the kinds of businesses you'd been hoping to build. Too many budding entrepreneurs can't afford to take a gamble on a smart idea because they can't give up the health insurance they get in their current job. Too many of you not only can't afford to provide health insurance to your employees, too many of you are having a tough time just affording health insurance for yourselves. That's bad for our economy, it's bad for our country, and that's what will change when health insurance reform becomes law.

Just this morning the House of Representatives released its version of health reform legislation, and I want to commend Nancy Pelosi and the Democratic Caucus for their leadership in achieving this critical milestone. They forged a strong consensus that represents a historic step forward. This bill includes reforms that will finally help make quality insurance affordable. Importantly, this bill is also fully paid for and will reduce the deficit in the long term.

Now, there's no doubt that this legislation and the legislation that's being drafted in the Senate would benefit millions of small businesses. It's being written with the interests of

* White House correction.

Americans like you and your employees in mind. And yet there are those who have a vested interest in the status quo who are claiming otherwise, and they're using misleading figures and disingenuous arguments. So I want to try to explain as clearly as I can exactly what health reform would mean for small-business owners like you and the workers you employ.

The first thing I want to make clear is that if you are happy with the insurance plan that you have right now, if the costs you're paying and the benefits you're getting are what you want them to be, then you can keep offering that same plan. Nobody will make you change it. What we will do is make the coverage that you're currently providing more affordable by offering a tax credit to small businesses that are trying to do the right thing and provide coverage for their employees. Under the House and Senate bills, millions of small businesses would be eligible for a tax credit of up to 50 percent of their premiums. That's in the legislation that's already been proposed.

We'll also make your coverage more stable and more secure. Right now, if just one of your workers falls seriously ill, it could spell disaster for your entire business. You could see your premiums shoot up and you could face a painful choice: Do you eat the costs and ask your workers to contribute more? Do you seek another insurance plan, without any guarantee that you'll be able to find one that's affordable? Or, do you just scale back benefits or drop coverage altogether?

I don't think that you should have to make that choice in the United States of America. Under health insurance reform, we put an end to the days when an insurance company could use one worker's illness to justify jacking up premiums for everybody. We'll crack down on excessive overhead charges by setting strong standards on how much of your premium can go towards administrative costs and requiring insurers to give you a refund, if they violate those standards. It'll be against the law for insurance companies to deny you coverage because of a preexisting condition, and it will be against the law for insurance companies to drop your coverage when you get sick or water it down when you need it the most.

They'll no longer be able to place some arbitrary cap on the amount of coverage you can receive in a given year or a lifetime. If you get your insurance through your employer, we'll change the cutoff on how old your kids can be to remain on your plan; we'll raise that to 26 years old. We'll place a limit on how much you can be charged for out-of-pocket expenses. And insurance companies will be required to cover, with no extra charge, routine checkups and preventive care, like mammograms and colonoscopies, because there's no reason we shouldn't be catching diseases like breast cancer and colon cancer before they get worse and cost more money. That makes sense, it saves money, and it saves lives.

So that's what we'll do for all the small businesses that have insurance, that are currently providing insurance. And for all the small businesses that can't afford to provide insurance right now and small business owners who can't even afford to get coverage themselves, we'll finally make quality coverage affordable. And here's how we'll do it.

One of the biggest problems in our health care system right now is if you're a small-business owner or if you're self-employed, you often have such a small number of workers that insurance companies aren't all that interested in your business. It's basic economics. You don't have a lot of leverage as a small customer. And as a result, you end up paying higher costs than big businesses that can get better deals because they've got more workers, they got more purchasing power.

So what we'll do is to set up what we're calling an exchange that will pool small businesses together. And that will mean it's not just you bargaining with insurance companies, it's you and many other small-business owners and self-employed individuals all across the country. And with all that additional leverage, you'll be able to get better deals than you could have ever received on your own. In fact, small businesses that choose one of the plans in this exchange could save 25 percent on their premiums by 2016, only 2 years after the exchange has been set up.

And we'll also offer tax credits to make insurance even more affordable for millions of small businesses. So meanwhile, by expanding coverage for more Americans, we're going to help eliminate the hidden tax of more than a thousand dollars that the average worker is paying to cover the medical expenses of the uninsured.

Now, nothing's free, and it's true that when reform becomes law, businesses of a certain size who do not offer their workers health care coverage may be required to contribute to the costs, and that makes a lot of small-business owners nervous. Opponents of reform have tried to say that you'd be subject to this penalty and it could potentially drive up your costs.

But here are the facts, because this has been analyzed repeatedly. About 90 percent—90 percent of all small businesses, regardless of what version of this plan you're talking about that's currently going through Congress—90 percent of all businesses would be exempt from this requirement. So if your business is anything like the vast majority of small businesses out there, this requirement simply won't apply to you, because I don't think it's fair to impose a penalty on small businesses that are already operating at very narrow margins.

So that's what health insurance reform would mean for you and for all our small businesses. It would reduce your costs. It would prevent small-business owners from facing exorbitant rate hikes. It will make coverage affordable for all small businesses that can't afford it right now. And if you're providing health insurance to your employees, it gives you more predictability, more security, more stability.

It will help remove the worry that if you have the courage to strike out on your own and open a business, you'll be doomed from the start. It will help give entrepreneurs and all Americans the assurance of knowing they won't go broke when they get sick. It will help ensure that no small-business owner in America has to choose between being a successful employer and an employer who cares deeply about the well-being of his employees or her employees. It will help us be the kind of country we know ourselves to be.

So what's at stake isn't just the success of our businesses or the strength of our economy or even the health of our people. What's at stake is that most American of ideas: that this is a place where you can make it if you try, where you can be your own boss, where the only limits to what you can achieve are your smarts, your savvy, your dreams, your willingness to work hard, where you can pass on to your children a better life than you inherited.

That's what's at stake; that's what we're fighting for. And I'm absolutely confident that if we do what has to be done, if we can build an economy that works for all Americans, if we can promote innovation and foster growth and build a better health care system that is not a drag on each and every one of you, then not only will we ease the burden on entrepreneurs, not only will we give our small businesses a huge boost, not only will we produce the kind of growth we so desperately need in this country, but we'll secure the blessings of America for our children and our grandchildren.

That's what we're fighting for. I need your help to make it happen. Thank you very much, everybody. Thank you. God bless America.

NOTE: The President spoke at 11:51 a.m. in the South Court at the Dwight D. Eisenhower Executive Office Building.

Categories: Addresses and Remarks : Small business and health care reform.

Locations: Washington, DC.

Names: Mills, Karen G.; Pelosi, Nancy; Warner, Mark R.

Subjects: Budget, Federal : Deficit; Business and industry : Credit freeze situation; Business and industry : Small and minority businesses; Congress : Democratic Caucus; Congress : House of Representatives :: Speaker; Economy, national : American Recovery and Reinvestment Act of 2009; Economy, national : Economic concerns; Economy, national : Improvement; Economy, national : Recession, effects; Economy, national : Strengthening efforts; Employment and unemployment : Job creation and growth; Employment and unemployment : Job losses; Health and medical care : Cost control reforms; Health and medical care : Employer-based health insurance coverage; Health and medical care : Health insurance exchange, proposed; Health and medical care : Hospitals :: Reimbursement for treatment of uninsured patients; Health and medical care : Insurance coverage and access to providers; Health and medical care : Preventive care and public health programs; Health and medical care : Young adults, insurance coverage as dependents, proposed age limit extension; Small Business Administration : Administrator; Small Business Administration : Loan guarantee facility; Taxation : Tax relief.

DCPD Number: DCPD200900862.